

Case study:

North East Link (all roads packages)

February 2025



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The North East Link (NEL) is a large and complex suite of projects building tunnels and freeways that will connect and upgrade the Eastern Freeway and the M80 Ring Road.

This case study looks at the roads and tunnels elements of the primary package and the state and freeway packages.

Figure 1: North East Link new twin tunnels construction



Source: Victorian Infrastructure Delivery Authority.

Key project data

2024–25 BP4 project names:	North East Link – Primary Package (Tunnels) and State Tolling Corporation (Greensborough)	North East Link (State and Freeway Packages)		
		Eastern Freeway Upgrade (Springvale to Hoddle)	M80 Ring Road Upgrade (Greensborough)	North East Link Connections (Bulleen/Watsonia)
Previous reporting names:	<ul style="list-style-type: none"> 2017–18: North East Link (from Greensborough) 2018–19: North East Link (from Greensborough) 2019–20: North East Link 2021–22: North East Link (from Greensborough) 			
	2022–23: North East Link – Primary Package (Tunnels) and State Tolling Corporation	<ul style="list-style-type: none"> 2022–23: North East Link (State and Freeway Packages) (Greensborough) 2023–24: North East Link (State and Freeway Packages) (Greensborough) 		
Project lifecycle phase:	<p>Different projects are at various stages ranging from in delivery, under construction and in procurement.</p> <p>The primary package’s main public–private partnership (PPP) works are underway. The Victorian Infrastructure Delivery Authority (VIDA) told us that the Eastern Freeway Upgrade and M80 Ring Road Upgrade delivery has also started. The remaining 2 Eastern Freeway packages (Burke to Hoddle and Tram to Springvale) are still in the market.</p>			
Financial year when first disclosed:	2017–18			
Current approved cost (TEI):	\$26.21 billion (aggregate value of all NEL packages)			
	\$14.03 billion	\$5.71 billion	\$3.82 billion	\$2.64 billion
Original approved cost (TEI):	\$15.64 billion			
Cost variance analysis:	Increased by 67.58% (\$10.57 billion)			
Expected completion date:	Quarter 2 2028–29			
Original completion date:	Quarter 4 2026–27			
Time variance analysis:	Delayed by 6 quarters (approximately 1.5 years)			
Responsible (BP4) entity:	State Tolling Corporation (STC)	Department of Transport and Planning (DTP)		
Delivery entity:	STC and VIDA	VIDA		
Approval authority:	Minister for Transport Infrastructure	DTP		

Note: BP4 is Budget Paper 4: State Capital Program. TEI stands for total estimated investment. There was an initial \$100 million announced for planning in the 2017–18 BP4 but this was later included in the overall TEI in the 2019–20 BP4.

Project summary

Project description and purpose

The NEL is a suite of tunnel and freeway projects to connect an upgraded Eastern Freeway and upgraded M80 Ring Road. The NEL aims to reduce travel time along the corridor by up to 35 minutes.

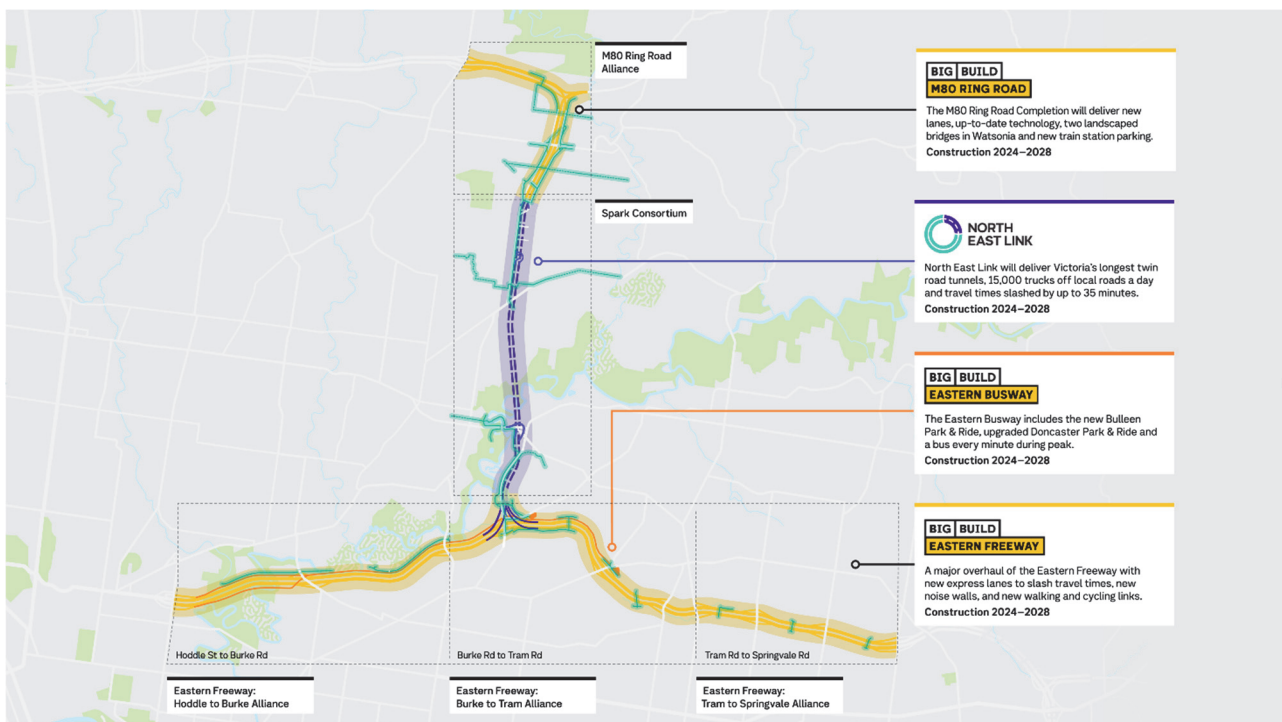
The NEL is a very large and complex initiative with many technical challenges. There are 2 major program components:

- the Primary Package
- the state and freeway packages.

All packages interface with live road environments, established neighbourhoods, community, recreational and educational facilities, and environmentally sensitive locations.

VIDA and DTP are managing 3 separately funded projects within the state and freeway packages.

Figure 2: NEL package routes



Source: Victorian Infrastructure Delivery Authority.

Project status

Red, Amber and Green (RAG) status

The criteria we used for this RAG assessment can be found at the end of this case study. The ratings apply to:

- North East Link – Primary Package (Tunnels) and State Tolling Corporation (Greensborough)
- North East Link (State and Freeway Packages) Eastern Freeway Upgrade (Springvale to Hoddle)
- North East Link (State and Freeway Packages) M80 Ring Road Upgrade (Greensborough)
- North East Link (State and Freeway Packages) North East Link Connections (Bulleen/Watsonia).

Figure 3: Entity self-assessment compared to VAGO assessment

	Scope	Cost	Time	Benefits
Entity self-assessment	Green	Green	Green	Amber
VAGO assessment	Green	Green	Green	Amber

Note: Entity self-assessments were made in the specific project survey. Based on the information VIDA provided and survey responses, there is not enough baseline data to measure benefits, VAGO assessed benefits as amber.
Source: VAGO.

Cost, time and scope performance

The central package’s main PPP works are underway. The Eastern Freeway Upgrade and M80 Ring Road Upgrade has also started.

The remaining 2 Eastern Freeway sub-packages (Burke to Hoddle and Tram to Springvale) are still in the market.

The projects expected to be complete by quarter 2 2028–29 are:

- Primary Package (Tunnels) and State Tolling Corporation, TEI \$14.03 billion
- Eastern Freeway Upgrade (Springvale to Hoddle), TEI \$5.71 billion
- M80 Ring Road Upgrade (Greensborough), TEI \$3.82 billion
- North East Link Connections (Bulleen/Watsonia), TEI \$2.64 billion.

An earlier \$200 million early works package prepared the corridor for the main works and relocated key utilities. It also purchased property and cleared required land.

Risks and emerging pressures

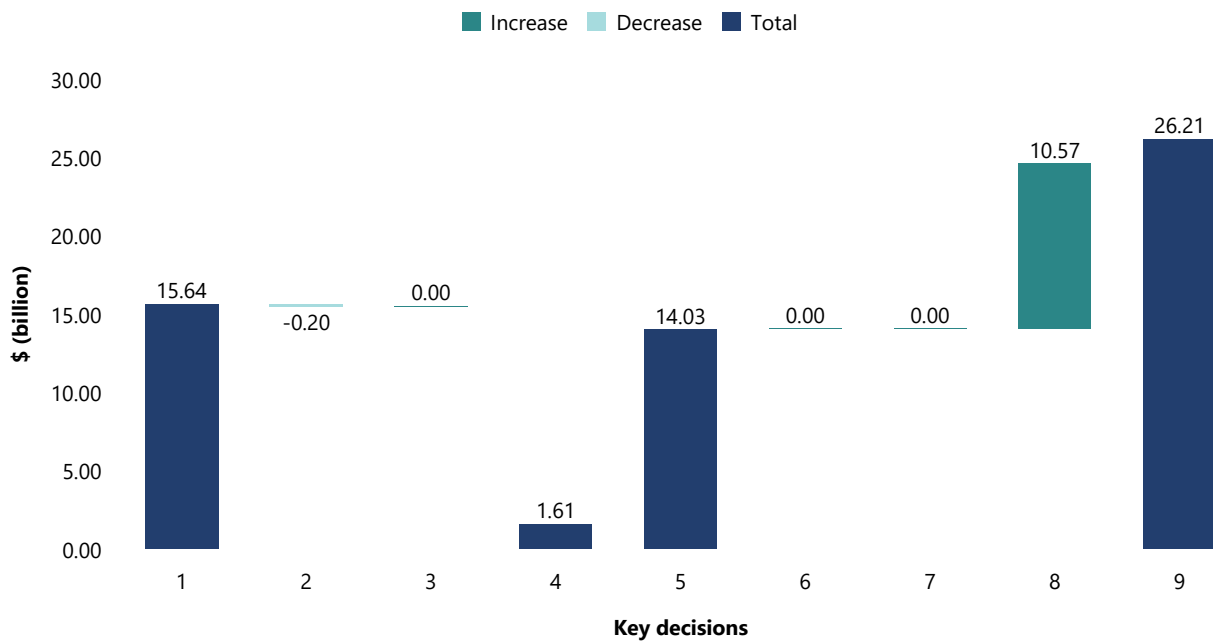


Tunnelling is an inherently risky activity. Unknown future issues could impact the primary package’s cost, time and progress.

VIDA has risk registers for each NEL project and conducts a monthly cost risk analysis against approved funding. It also has a risk management policy, plan and procedures. Risks are escalated at both a package and program level.

The remaining 2 freeway alliance packages have not been awarded yet, so it is not yet clear whether recent industry-wide cost pressures will lead to further project cost increases.

Figure 4: Budget changes to the North East Link (aggregate)



Legend

Key decision	Date and detail
1	2019–20 BP4: original TEI (known as North East Link)
2	2021–22 BP4: TEI decreased (known as North East Link from Greensborough)
3	2022–23 BP4: TEI TBC as procurement is finalised for State and Freeway Packages
4	2022–23 BP4: residual TEI for North East Link
5	2022–23 BP4: TEI reported for Primary Package (Tunnels) under State Tolling Corporation
6	2023–24 BP4: TEI TBC as procurement is finalised for State and Freeway Packages (Greensborough)
7	2023–24 BP4: No change in TEI for Primary Package (Tunnels)
8	2024–25 BP4: TEI increase and now reported under State and Freeway packages
9	2024–25 BP4: Current TEI (State and Freeway Packages and Primary Package)

Source: VAGO.

Variance analysis

A \$10.57 billion TEI increase for the state and freeway packages was confirmed in the 2024–25 state Budget.

VIDA told us this cost increase was to pay for higher than expected contract costs arising from procurement activities.

Some of this price increase was due to the government’s decision to make the main tunnels northern approaches longer and to redesign a railway bridge near Watsonia Station, which changed the technical and safety requirements.

The government assessed that these costs were necessary to improve the future asset. The design changes also align with the overall project’s environment effects statement process recommendations.

Industry capacity and supply chain pricing volatility also increased costs.

Environment effects statement

A detailed assessment of a proposed development’s potential environmental impacts. It usually involves extensive technical studies by project sponsors, as well as public submissions and expert panel hearings and examinations.

Impacts of scope and other changes

VIDA does not clearly document impacts from project changes in its public reporting. However they are well-documented and reported internally every month.

Project working groups can escalate unresolved issues to the responsible minister. There are no examples of this happening to date.

Key funding stakeholders

Stakeholders

The Victorian Government signed a \$11.1 billion agreement with the Spark consortium to build an availability PPP for the primary package. The Spark consortium will also provide operations and maintenance services within designated project boundaries for 25 years.

STC was established under the *North East Link Act 2020* to manage and operate the NEL. STC has formally transferred primary package construction oversight responsibility to VIDA. A ministerial direction specifies the roles each party must play in the project.

VIDA’s Major Roads Projects Victoria team is overseeing the PPP tunnels construction phase and all the state and freeway packages construction.

The 4 NEL packages have a mixed funding source. The Australian Government originally contributed \$1.75 billion to all aspects of the program, then allocated a further \$3.25 billion across the 3 non-PPP projects. The state Budget papers are not specific about how much of this Australian Government funding is allocated to each package.

Figure 5: Funding allocated to each project component

Project component	TEI
Primary Package (Tunnels) and State Tolling Corporation	\$14.03 billion ¹
Eastern Freeway Upgrade (Springvale to Hoddle)	\$5.71 billion ²
M80 Ring Road Upgrade (Greensborough)	\$3.82 billion ²
North East Link Connections (Bulleen/Watsonia)	\$2.64 billion ²
Total:	\$26.2 billion

Note:

1. This TEI includes the \$11.1 billion availability PPP contract signed with the Spark consortium to deliver the Primary Package and other costs associated with managing VIDA and STC’s Primary Package delivery operations, including procuring and delivering a toll collection capability. This package’s TEI also includes financing costs, with the total costs related to the PPP to be funded by road user tolls collected by STC on behalf of the state. This project package includes a share of the Australian Government’s \$1.75 billion contribution in the 2024–25 Federal Budget. This Australian Government contribution occurred in 2018.

2. This project package includes a share of the Australian Government’s \$1.75 billion contribution in 2018. Another \$3.25 billion was announced in the 2024–25 Federal Budget, which was after the 2024–25 Victorian Budget so it was not disclosed due to timing.

Source: VAGO, using VIDA and Budget data.

Project benefits

Benefits VIDA told us it believes that principal benefits expected from the project, such as reducing travel times and truck volumes on local roads, are likely to be delivered.

Some other expected benefits will need more specific baseline data to be measurable. VIDA advised that this data will be finalised after contracts are awarded for the final 2 freeway upgrade packages. These types of benefits will require a longer-term measurement horizon, especially in regard to attributing any positive economic changes from the new roads.

It is not clear which agency is best placed to measure longer-term economic benefits. Some benefits in the benefit management plan (BMP) are allocated to the former head of the previous project office and have not been updated to reflect governance and delivery arrangements that have changed since VIDA was established.

DTP and VIDA should review and update the BMP, as well as consider in more detail how some of the less tangible economic benefits can be measured.

Governance and assurance

Governance and assurance The governance arrangements for the main tunnelling works are well-described and typical for this type of PPP project. This includes use of an independent reviewer and environmental auditor. These roles ensure that the physical works are delivered according to expected design and timelines, as well as within required environmental performance parameters.

VIDA is overseeing the PPP and the 4 freeway upgrade alliances. This allows a unified project team approach and integrates VIDA's wider governance and assurance processes. VIDA has extensive experience in managing PPPs and alliances across its various project offices.

All packages are listed as high value high risk projects and attract more scrutiny and oversight from the Department of Treasury and Finance (DTF). To date, VIDA has done the expected gateway steps and project assurance reviews, with any relevant recommendations implemented or under consideration.

Procurement approach

PPP model The primary package is being delivered as an availability PPP with an incentivised target cost regime that applies to costs incurred during the design and construction phase.

The rationale and value for money considerations for the PPP component is publicly documented in the DTF project summary. This includes information on design outcome, cost, value for money, public interest considerations and probity.

The Burke to Tram section of the Eastern Freeway upgrade, Southern portal connections and M80 upgrade are being delivered via alliances. VIDA told us that it considers the alliance model offers more value for money and better risk management during delivery.

The final 2 freeway packages (Burke to Hoddle and Tram to Springvale) of the Eastern Freeway upgrade are now in the market and will also use an alliance model.

Better practice

Better practice



There was evidence that VIDA has put in place several better practice and innovative approaches. This includes:

- formalising and allocating roles between VIDA and STC to demarcate and focus on each entity's roles and responsibilities
- using a mixed procurement strategy to best harness market capacity and manage risks appropriately and dynamically
- efficiently buying up affected properties, allowing for orderly property consolidation and early land clearance along the route
- using an early works package to relocate or protect utilities or make road modifications and prepare sites for the main tunnelling activities
- bringing forward quick wins, such as the new Bulleen bus interchange, as well as renovating and enhancing community sporting facilities.

VIDA told us it collects and analyses lessons learnt from project delivery and procurement, problem solving and resolving issues, and dealing with community and stakeholders.

VIDA said it has a lessons learnt register guided by its lessons learnt framework. Each NEL package has a champion to document and share lessons.

RAG rating definitions

Rating	Scope	Cost	Time	Benefits
Red	Current approved project scope is at risk and requires action and a decision by the government	Project is likely to be more than 20% over its current approved budget	Project is likely to be more than 6 months behind its current approved schedule	Project benefits measurement systems are not in place and baseline and progress data for project benefits described in the business case, investment logic map (ILM) or BMP is not available
Amber	Scope risks are emerging but are being managed and no action or decision is required by the government at this point in time	Project is likely to be 11–20% over its current approved budget	Project is likely to be 4–6 months behind its approved schedule	Project benefits measurement systems are immature and baseline and progress data for project benefits described in the business case, ILM or BMP is unreliable
Green	Current approved project scope is clear and can be delivered within budget and schedule	Project is likely to be 0–10% over its current approved budget	Project is likely to be 0–3 months behind its current approved schedule	Project benefits measurement systems are well developed and baseline and progress data for project benefits described in the business case, ILM or BMP is reliable and up to date
N/A				There are no tangible or measurable benefits specified in the project's business case or objective(s)

Source: VAGO.